

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

This section provides a consolidated justification for all Salaries and Expenses funds of the Department. Pursuant to 12 U.S.C.701(c)(3), the Secretary is authorized to consolidate all operating expenses into a single account to simplify day-to-day financial operations and provide some measure of flexibility in the use of personnel to carry out the wide variety of Departmental programs. This also permits simplification of personnel, payroll, management, and accounting procedures.

APPROPRIATION HIGHLIGHTS

The following table summarizes the funding sources and staffing included in this request.

	<u>ACTUAL</u> <u>2003</u>	<u>ENACTED</u> <u>2004</u>	<u>ESTIMATE</u> <u>2005</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2005 vs 2004</u>
<u>Budget Authority</u>				
From Appropriation Bill:				
Salaries and Expenses, HUD ...	\$510,299	\$547,000	\$591,579	+\$44,579
Transfer from FHA Fund	544,639	560,672	576,000	+15,328
Transfer from GNMA	10,276	10,632	10,986	+354
Community Planning Development (Sec. 108)	994	994	...	-994
Title VI Indian Federal Guarantees Program Account	149	149	150	+1
Indian Housing Loan Guarantee Fund Program Account	199	249	250	+1
Native Hawaiian Housing Loan Guarantee Fund	35	35	35	+0
Rescission (P.L. 10807)	-3,447	-3,227	...	+3,227
Funds Control	<u>20,000</u>	<u>...</u>	<u>...</u>	<u>...</u>
Subtotal	1,083,143	1,116,504	1,179,000	62,496
GSE Legislative Proposal			[3,000]	[3,000] a/
Others Transfers:				
Transfer from Revolving Fund for Liquidating Programs	100	100	100	...

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	<u>ACTUAL</u> <u>2003</u>	<u>ENACTED</u> <u>2004</u>	<u>ESTIMATE</u> <u>2005</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2005 vs 2004</u>
Interstate Land Sales Registration Fees	323	350	350	...
Manufactured Housing Fees	1,279	1,614	1,678	+64
Housing Opportunities for Persons with AIDS	24
PIH Technical Assistance Travel	<u>530</u>	<u>...</u>	<u>...</u>	<u>...</u>
Subtotal	<u>2,256</u>	<u>2,064</u>	<u>2,128</u>	<u>+64</u>
Subtotal	1,085,399	1,118,568	1,181,128	+62,560
Outlays (net)	520,825	538,559	581,326	+42,767
<u>FTE</u>				
Headquarters	3,406	3,458	3,448	...
Field	<u>5,873</u>	<u>5,947</u>	<u>5,957</u>	<u>...</u>
Total	9,279	9,405	9,405	...
GSE Legislative Proposal			[14]	[14] a/

NOTE: In the Appropriations Highlights table, the 2003 and 2004 program transfer amounts are net the .65 percent rescission and .59 percent rescission, respectively.

a/ Upon enactment of the proposal announced by the Secretaries of the Departments of Housing and Urban Development and the Treasury on September 10, 2003, it is expected that the cost of HUD's responsibilities would be assessed on the Government-Sponsored Enterprises (GSE's) Fannie Mae and Freddie Mac. These responsibilities include the establishment and enforcement of affordable housing goals for the GSE's, ensuring GSE compliance with fair housing laws, and providing consultation to the safety and soundness regulator on the GSE's new activities.

SUMMARY OF BUDGET REQUEST

For fiscal year 2005, the requested appropriation is \$1,179,000 thousand, which consists of \$591,579 thousand in budget authority and transfers of \$576,000 thousand from various FHA accounts, \$10,986 thousand from Ginnie Mae, \$150 thousand from Title VI Indian Federal Guarantees Program Account, \$250 thousand from Indian Home Loan Guarantee Fund Program Account, and \$35 thousand from Public and Indian Housing's Native Hawaiian Loan Guarantee Program Account. Including reimbursements, fees and other sources, it is estimated that total obligations for "Salaries and Expenses" will be \$1,181,128 thousand. These funds will support 9,405 full-time equivalent staff.

The increase in this justification includes personal services funding for the anticipated 1.5 percent January 2005 pay raise, time in grade with-in-grade increases, promotions, and increased health and other benefits costs. With the exception of Rent, Communications and Utilities, increases are requested in all other objects of expense and are discussed in more detail later in this justification.

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HUD's Resource Estimation Allocation Process (REAP) supports a requirement of 9,661 FTE in 2005. The 9,405 FTE reflects a pathway to the REAP target incorporating current staffing levels, approved reorganizations and planned workload accomplishments for fiscal years 2004 and 2005. The Department is developing staffing plans that reflect the further refinement of the Department's strategic workforce plan which will guide all recruiting, hiring and other key human capital efforts. In developing HUD's strategic plan, an ongoing workforce examination is in process to identify and confirm mission-critical positions, skills imbalances, and the organizational impact and potential risks associated with the retirement eligibility of the existing staff.

The fiscal year 2005 Budget request of \$1,179,000 thousand represents the Department's required funding level to more effectively promote homeownership for Americans free from discrimination, revitalize communities, strengthen economic opportunities and restore public trust throughout the United States. It also supports the President's Management Agenda in the areas of investment and strategic management of human capital, addressing material weaknesses, and increasing homeownership. This funding level will enable the Department to execute programs and services outlined in the Annual Performance Plan.

This request also includes the continuation of approximately \$3 million in funding and 8 FTE for the Center for Faith-Based and Community Initiatives (CFBCI) which was established by Executive Order 13198 on January 29, 2001. The purpose of CFBCI is to coordinate the Department's efforts to eliminate regulatory, contracting, and other programmatic obstacles to the participation of faith-based and other community organizations in the provision of social services. Further, CFBCI will play a key role in facilitating intra-Departmental and inter-Agency cooperation concerning the needs of faith-based and community organizations.

The CFBCI reports to the Offices of the Secretary and Deputy Secretary. CFBCI staff will focus their efforts on areas of research, law and policy; development of an inter-agency resource center to service faith-based and community partners; and expanding outreach, training and coalition building. These areas of emphasis are in compliance with the Executive Order. Additionally, the Center will participate in the furtherance of HUD's overall strategic goals and objectives-particularly as they relate to partnership with faith-based and community organizations.

ESTIMATED OBLIGATIONS

	ACTUAL	ENACTED	ESTIMATE	INCREASE + DECREASE -
	2003	2004	2005	2005 vs 2004
		(Dollars in Thousands)		
Personal Services	\$845,645	\$883,984	\$927,850	+\$43,866
Travel and Transportation Of Persons	17,031	20,479	21,770	+1,291
Transportation Of Things	741	548	697	+149
Rent, Communications, and Utilities	122,426	134,756	131,791	-2,965
Printing and Reproduction	2,740	3,876	4,022	+146
Other Services	51,386	64,520	82,642	+18,122
Supplies and Materials	4,687	4,961	5,093	+132
Furniture and Equipment	2,511	3,181	4,910	+1,729
Insurance Claims and Indemnities	<u>379</u>	<u>199</u>	<u>225</u>	<u>+26</u>
Total Obligations	1,047,546	1,116,504	1,179,000	+62,496
Working Capital Fund	<u>10,432</u>	<u>...</u>	<u>...</u>	<u>...</u>
Grand Total S&E Obligations.....	1,057,978	1,116,504	1,179,000	+62,496
Funds Control a/.....	3,997	15,873	...	-15,873

a/ In 2003, \$20,000 thousand two-year funding, or \$19,870 thousand net the .65 percent rescission, was made available for Departmental funds control activities. During fiscal year 2003, \$3,997 thousand was obligated leaving a balance of \$15,873 thousand for obligation in fiscal year 2004.

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Analysis of Increases and Decreases

(Dollars in Thousands)

Prior year obligations	\$1,047,546	\$1,116,504
Change to personal services	38,339	43,866
Change to travel and transportation of persons	3,448	1,291
Change to rent, communications and utilities	12,330	-2,965
Printing & Reproduction	1,136	146
Change to other services	13,134	18,122
Change to furniture and equipment	670	1,729
All other changes	<u>-99</u>	<u>307</u>
Total Obligations	\$1,116,504	\$1,179,000

EXPLANATION OF INCREASES AND DECREASE

Personal services costs increased by \$38,339 thousand in 2004 and by \$43,866 thousand in 2005. The changes are due to the following:

- changes to the average employment level result in an estimated increase of 126 FTE and \$11,483 thousand in 2004.
- the 4.1 percent pay raise which will become effective during January 2004 is estimated to require an increment of \$23,641 thousand during 2004 and a further increase of \$8,958 thousand during 2005;
- the proposed pay raise of 1.5 percent which would become effective in January 2005 is expected to cost \$9,832 thousand during 2005; and
- other changes in average FTE costs, such as within-grade increases, promotions, health costs and other benefits would result in an increase of \$3,214 thousand in 2004 and a further increase of \$25,076 thousand in 2005.

Support costs have net increases of \$30,619 thousand in 2004 and \$18,630 thousand in 2005. The changes are due to the following:

- travel requirements of \$3,448 thousand and \$1,291 thousand in 2004 and 2005 respectively reflects increased monitoring and oversight of field activities and staff training;
- an additional requirement of \$12,330 thousand in 2004 is due principally to increased rental rates, additional space rental, and new rental agreements, as well as inflationary adjustments for postal services, other communication costs and electricity costs. The reduction of \$2,965 thousand in 2005 is the net effect of inflationary adjustments offset by the implementation of the GSA directive to collect the security charge component of the rent separately. There is a corresponding increase in Other Services;

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- printing requirements of \$1,136 thousand in 2004 and \$146 thousand in 2005 are principally due to the reduced availability of printing funds during 2003;
- an increase of \$13,134 thousand in 2004 reflects the lower than anticipated spending level in 2003 due to the rescission and the elimination or postponement of other contractual services in order to pay salaries and benefits for the Department's increased staffing level. Other planned expenditures in 2004 are space alternations in several field offices to provide more safe and secure work environments for HUD staff. Major field office enhancements are planned for the following twenty (20) cities: New York, Camden, Newark, Manchester, Philadelphia, Cleveland, Orlando, Tampa, Jackson, Knoxville, Memphis, Louisville, Denver, Omaha, Albuquerque, San Francisco, Los Angeles, Santa Ana, Las Vegas and Seattle; The further increase of \$18,122 thousand in 2005 center principally on facilities management vis-à-vis security enhancements for all HUD occupied space nationally;
- increases of \$670 thousand and \$1,729 thousand in 2004 and 2005 respectively for furniture and equipment purchases reflects systems furniture purchases for the newly reconfigured offices in the above-mentioned twenty cities; and
- a decrease of \$99 thousand in 2004 for all other items such as transportation of things, supplies, and claims and indemnities which are included in this account. An increase of \$307 thousand is being requested for these items for 2005.

EXPLANATION OF CHANGES IN 2005 VS. 2004

1. Personal Services. Personal services costs include all salaries and personnel benefits which are paid by the Department. These include health and life insurance, the Government's contribution to employee retirement plans, accrued leave, and reimbursement for costs incurred during transfers, as well as salary and overtime payments and payments made to the Employees' Compensation Fund (ECF) for the medical support of former employees who have job-related medical problems.

Personal services costs also include payments to or for former personnel, including payments to the Federal Employee Compensation Account (FECA), which is a vehicle for reimbursing the various States for unemployment compensation payments made to former HUD employees. The FECA program is administered by the Department of Labor. In addition, severance pay for employees who have been involuntarily separated is directly provided to eligible former employees.

The fiscal year 2005 estimate is \$927,850 thousand and will fund 9,405 FTE. This level of funding reflects an increase of \$43,866 thousand and will cover an anticipated 1.5 percent pay raise in January 2005, increases to the average cost per FTE, within-grade increases, health benefits, terminal leave payments, transit subsidy, and relocation costs. A significant part of the 2005 benefit estimate is due to increased agency contributions of 10.4 percent for participants in the Federal Employee Health Benefits program and .5 percent for participants in the Federal Employee Retirement Systems.

2. Travel and Transportation of Persons. This category represents the transportation of Government employees and/or other persons who travel under the auspices of the Federal Government, their per diem allowances when in authorized travel status, and other expenses incidental to travel, which are paid by the Government directly or by reimbursing the traveler. It consists of travel both away from the official duty station and in and around the official station of an employee.

The fiscal year 2005 estimate is \$21,770 thousand and reflects an increase of \$1,291 thousand over the 2004 current estimate. The increase is due principally to increased oversight monitoring of field activities and staff training. Travel supported by this request includes program and function activities, such as monitoring and inspecting, and training travel.

3. Transportation of Things. This classification consists of charges for the transportation of things and the care of such things while in the process of being transported. It includes rental trucks and other transportation equipment, and reimbursement to Government personnel for authorized movement of household effects or house trailers.

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The fiscal year 2005 estimate is \$697 thousand, which reflects an increase of \$149 thousand over the 2004 estimate. The increase is due principally to transporting household items associated with relocating employees.

4. Rent, Communications, and Utilities. The funds under this object classification provide for all rental costs--both space and equipment--communication services, and utilities. The major cost associated with this object class is real property rental. The General Services Administration (GSA) establishes rental rates and provides cost estimates for the space requirements identified by the Department.

The fiscal year 2005 estimate is \$131,791 thousand, which is \$2,965 thousand less than the 2004 estimate. This net reduction reflects inflationary adjustments offset by a GSA directive that they will begin collecting the security charge component of the rent separately in 2005. There is a corresponding increase in Other Services

5. Printing. The funds included under this object class represent the cost of contractual printing and reproduction services, and related composition and binding operations performed by or through the Government Printing Office (GPO).

The fiscal year 2005 estimate is \$4,022 thousand, which reflects a slight increase of \$146 thousand over the 2004 estimate.

6. Other Services. This object class encompasses a wide array of services that are not captured in the other object classes. The types of services included are training; storage of household goods; data processing services; contracts such as data and statistical collection and analysis, management studies, technical, and public information services; and other services such as health services, library services, stenographic services, visual art services, etc. This budget request proposes new and increased contractual activity in support of the President's Management Agenda as discussed below.

The fiscal year 2005 estimate of \$82,642 thousand reflects an increase of \$18,122 thousand over the fiscal year 2004 estimate. The increase principally centers on facilities management vis-à-vis security enhancements for all space occupied by HUD staff nationwide. Additionally, GSA has issued a directive stating that in 2005 they will begin collecting the security charge component of the rent separately. There is a corresponding reduction in Rent, Communications and Utilities.

Also, significant training initiatives to support the Department's workforce analysis are being implemented. The workforce analysis pilot is currently being conducted in Public and Indian Housing. Fair Housing and Equal Opportunity, Housing, and Community Planning and Development will undergo workforce analyses in 2004. The remainder of the Department will be analyzed in 2005. The workforce analysis is expected to identify skills imbalances. Increased training funds have been budgeted to address issues which are expected to be identified during the workforce analysis.

7. Supplies and Materials. This object class identifies charges for commodities, whether acquired by formal contract or other form of purchase, that are ordinarily consumed or expended within 1 year after they are put into use, converted in the process of construction or manufacture, or used to form a minor part of equipment or fixed property.

The fiscal year 2005 estimate of \$5,093 thousand reflects an inflationary adjustment of \$132 thousand over the 2004 estimate.

8. Equipment. This object classification is used to support the purchase of various types of equipment. Equipment purchases may include, but are not limited to, office furniture and fixtures, office equipment, such as typewriters, quick copy machines and calculators; equipment to deliver in-house training and books.

The fiscal year 2005 estimate of \$4,910 thousand reflects an increase of \$1,729 thousand over the 2004 estimate. The increase reflects the installation of systems furniture in newly reconfigured field offices and the gradual replacement of out-dated equipment.

9. Insurance Claims and Indemnities. This object provides for the Federal Government's self-insurance costs including court ordered payments. Historically, it is difficult to project these types of claims. In recent years, average claims have ranged between \$100 thousand and \$500 thousand. The fiscal year 2005 estimate is \$225 thousand, which reflects an increase of \$26 thousand over the 2004 estimate.

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PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

<u>ACTIVITY</u>	<u>Fiscal Year 2003</u>		<u>Fiscal Year 2004</u>		<u>Fiscal Year 2005</u>	
	<u>\$ in 000's</u>	<u>FTE</u>	<u>\$ in 000's</u>	<u>FTE</u>	<u>\$ in 000's</u>	<u>FTE</u>
Housing						
Headquarters	\$71,774	747	\$85,773	877	88,710	867
Field	<u>212,026</u>	<u>2,499</u>	<u>228,684</u>	<u>2,612</u>	<u>240,160</u>	<u>2,622</u>
Subtotal	283,800	3,246	314,457	3,489	328,870	3,489
Government National Mortgage Assn.						
Headquarters	7,350	71	7,451	70	7,796	70
Public and Indian Housing						
Headquarters	73,565	750	76,711	756	80,342	756
Field	<u>81,022</u>	<u>926</u>	<u>90,582</u>	<u>989</u>	<u>99,375</u>	<u>989</u>
Subtotal	154,587	1,676	167,293	1,745	179,717	1,745
Community Planning and Development						
Headquarters	25,365	263	21,000	210	21,685	210
Field	<u>58,870</u>	<u>683</u>	<u>55,677</u>	<u>624</u>	<u>57,492</u>	<u>624</u>
Subtotal	84,235	946	76,677	834	79,177	834
Fair Housing and Equal Opportunity						
Headquarters	14,481	155	12,177	133	12,575	133
Field	<u>48,492</u>	<u>589</u>	<u>42,392</u>	<u>507</u>	<u>44,540</u>	<u>507</u>
Subtotal	62,973	744	54,569	640	57,115	640
Policy Development And Research						
Headquarters	11,728	112	13,097	121	13,702	121
Field	<u>3,862</u>	<u>39</u>	<u>4,153</u>	<u>39</u>	<u>4,345</u>	<u>39</u>
Subtotal	15,590	151	17,250	160	18,047	160

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PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

<u>ACTIVITY</u>	<u>Fiscal Year 2003</u>		<u>Fiscal Year 2004</u>		<u>Fiscal Year 2005</u>	
	<u>\$ in 000's</u>	<u>FTE</u>	<u>\$ in 000's</u>	<u>FTE</u>	<u>\$ in 000's</u>	<u>FTE</u>
Departmental Management						
Headquarters	20,009	215	17,642	189	18,457	189
Healthy Homes & Lead Hazard Control						
Headquarters	3,719	38	3,724	38	3,896	38
Chief Financial Officer						
Headquarters	24,800	164	28,333	189	29,136	189
Field	<u>3,753</u>	<u>54</u>	<u>4,309</u>	<u>59</u>	<u>4,508</u>	<u>59</u>
Subtotal	28,553	218	32,642	248	33,644	248
General Counsel						
Headquarters	42,966	426	44,987	420	47,064	420
Field	<u>26,425</u>	<u>273</u>	<u>25,710</u>	<u>273</u>	<u>26,896</u>	<u>273</u>
Subtotal	69,391	699	70,697	693	73,960	693
Administration						
Headquarters	37,888	408	37,492	394	39,220	394
Field	<u>25,619</u>	<u>319</u>	<u>27,898</u>	<u>338</u>	<u>29,190</u>	<u>338</u>
Subtotal	63,507	727	65,390	732	68,410	732
Field Policy and Management						
Headquarters	2,244	22	2,382	24	2,492	24
Field	<u>46,349</u>	<u>491</u>	<u>49,565</u>	<u>506</u>	<u>51,853</u>	<u>506</u>
Subtotal	48,593	513	51,947	530	54,345	530
Faith-Based & Community Development Initiatives						
Headquarters	595	6	926	8	969	8

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PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

<u>ACTIVITY</u>	<u>Fiscal Year 2003</u>		<u>Fiscal Year 2004</u>		<u>Fiscal Year 2005</u>	
	<u>\$ in 000's</u>	<u>FTE</u>	<u>\$ in 000's</u>	<u>FTE</u>	<u>\$ in 000's</u>	<u>FTE</u>
Departmental Equal Employment Opportunity						
Headquarters	2,743	29	3,319	29	3,447	29
Summary						
Headquarters	\$339,227	3,406	355,014	3,458	369,491	3,448
Field	<u>506,418</u>	<u>5,873</u>	<u>528,970</u>	<u>5,947</u>	<u>558,359</u>	<u>5,957</u>
Total	\$845,645	9,279	883,984	9,405	927,850	9,405

NOTE: In the above table, personal services for each program includes a prorated share of centrally funded costs such as the Federal Employee Compensation Act payment (Workers' Compensation), Change of Station, Transit Subsidy, and Unemployment.

FTE NOTE: The Department is in the process of executing the Corrective Action Plan (CAP) by strategically aligning staff in accordance with the Resource Estimation Allocation Process (REAP). The fiscal year 2004 FTE utilization may vary from the ceiling established because the anticipated date of completion for REAP alignments is late March 2004.

EXPLANATION OF CHANGES IN 2004 VS. 2003

Changes from the 2003 actual to the 2004 request reflect an increase of \$38,339 thousand and 126 FTE. The additional funding is required as follows:

- \$11,483 thousand for additional FTE;
- 23,641 thousand for the January 2004 pay raise;
- 3,214 thousand for changes to average FTE costs due principally to within-grade increases, promotions, increased health benefit costs, transit subsidy, and change of station costs.

The increase of 126 FTE reflects Congressional action that approved the Department's 2004 FTE request of 9,330 FTE, which is 51 FTE higher than the actual 2003 FTE utilization of 9,279 FTE. In addition, the Congress provided another 75 FTE for PIH Section 8 monitoring activities, bringing the 2004 current estimate to 9,405 FTE. Additionally, estimated costs doubled due to the change from 2.0 percent to 4.1 percent of the 2004 January pay raise.

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EXPLANATION OF CHANGES IN 2005 VS. 2004

Changes from the 2004 requested level to the 2005 request reflects an increase of \$43,866 thousand. The additional funding is required as follows:

\$8,958 thousand for the January 2004 pay raise;
 9,832 thousand for the January 2005 pay raise;
 25,076 thousand for changes to average FTE costs.

The increase to changes in the average FTE cost is due in part to increased costs for the Federal Employee Health Benefit Program and the Federal Employee Retirement System. As retirements take place, the Department is experiencing a gradual shift of staff from the Civil Service Retirement System (CSRS) to the Federal Employee Retirement System (FERS). Approximately one-third of the Department's employees are currently eligible for retirement. In 2005, agency contribution requirements for participants in the Federal Employee Health Benefits program and the Federal Employee Retirement System are increasing 10.4 percent and .5 percent respectively.

Distribution of Staff By Grade Level

	ACTUAL 2003	ESTIMATE 2004	ESTIMATE 2005	INCREASE + DECREASE - 2005 VS 2004
Executive Level I	1	1	1	0
Executive Level II	1	1	1	0
Executive Level III	0	0	0	0
Executive Level IV	10	11	11	0
Executive Level V	0	0	0	0
Subtotal	12	13	13	0
ES-6	10	12	13	1
ES-5	8	6	7	1
ES-4	16	20	18	-2
ES-3	14	17	21	4
ES-2	13	18	16	-2
ES-1	27	26	26	0
Subtotal	88	99	101	2

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	ACTUAL 2003	ESTIMATE 2004	ESTIMATE 2005	INCREASE + DECREASE - 2005 VS 2004
GS/GM-15	875	869	867	-2
GS/GM-14	1,242	1,225	1,225	0
GS/GM-13	2,419	2,505	2,505	0
GS-12	2,423	2,437	2,441	4
GS-11	389	435	438	3
GS-10	56	62	63	1
GS-9	396	405	398	-7
GS-8	97	101	99	-2
GS-7	863	843	843	0
GS-6	124	129	129	0
GS-5	139	132	133	1
GS-4	116	113	113	0
GS-3	25	18	18	0
GS-2	14	12	12	0
GS-1	8	7	7	0
Subtotal	9,186	9,293	9,291	-2
Total	9,286	9,405	9,405	0
Average GS/GM Grade/Step	11/8	11/8	11/8	0

NOTE: Consultants and Wage Grade are not reflected in table.

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SALARIES AND EXPENSES
Personal Services
Summary of Change
(Dollars in Thousands)

<u>Personal Services</u>	<u>FTE</u>	<u>S&E Cost</u>
2003 Actual.....	9,279	\$845,645
2004 Appropriation/Request.....	9,405	883,894
<u>Changes Due To</u>		
2005 January Pay Raise.....	0	9,832
2004 January Pay Raise.....	0	8,958
Staffing increase/decrease	0	0
Other benefit changes.....	0	25,076
2005 Request.....	9,405	927,850

Salaries and Expenses
Justification of Proposed Changes in Appropriations Language

The 2005 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For necessary administrative and non-administrative expenses of the Department of Housing and Urban Development, not otherwise provided for, including purchase of uniforms, or allowances therefore, as authorized by 5 U.S.C. 5901-5902; hire of passenger motor vehicles; services as authorized by 5 U.S.C. 3109; and not to exceed \$25,000 for official reception and representation expenses, [\$1,123,130,000] \$1,179,000,000, of which [\$564,000,000] *\$576,000,000* shall be provided from the various funds of the Federal Housing Administration, [\$10,695,000] *\$10,986,000* shall be provided from funds of the Government National Mortgage Association, [\$1,000,000 shall be provided from the "Community development loan guarantees program" account,] \$150,000 shall be provided by transfer from the "Native American housing block grants" account, \$250,000 shall be provided by transfer from the "Indian housing loan guarantee fund program" account and \$35,000 shall be transferred from the "Native Hawaiian housing loan guarantee fund" account: *Provided, That* [funds made available under this heading shall only be allocated in the manner specified in the report accompanying this Act unless the Committees on Appropriations of both the House of Representatives and the Senate are notified of any changes in an operating plan or reprogramming: *Provided further, That*] no official or employee of the Department shall be designated as an allotment holder unless the Office of the Chief Financial Officer (OCFO) has determined that such allotment holder has implemented an adequate system of funds control and has received training in funds control procedures and directives: *Provided further, That* the Chief Financial Officer shall establish positive control of and maintain adequate systems of accounting for appropriations and other available funds as required by 31 U.S.C. 1514: *Provided further, That* for purposes of funds control and determining whether a violations exists under the Anti-Deficiency Act (31 U.S.C. 1341 et seq.), the point of obligation shall be the executed agreement or contract, except with respect to insurance and guarantee programs, certain types of salaries and expenses funding, and incremental funding that is authorized under an executed agreement or contract, and shall be designated in the approved funds control plan: *Provided further, That* the Chief Financial Officer shall: (a) appoint qualified personnel to conduct investigations of potential or actual violations; (b) establish minimum training requirements and other qualifications for personnel that may be appointed to conduct investigations; (c) establish guidelines and timeframes for the conduct and completion of investigations; (d) prescribe the content, format and other requirements for the

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submission of final reports on violations; and (e) prescribe such additional policies and procedures as may be required for conducting investigations of, and administering, processing, and reporting on, potential and actual violations of the Anti-Deficiency Act and all other statutes and regulations governing the obligation and expenditure of funds made available in this or any other Act [: *Provided further*, That the Secretary shall fill 7 out of 10 vacancies at the GS-14 and GS-15 levels until the total number of GS-14 and GS-15 positions on the date of enactment of Public Law 106-377 by 2½ percent].

[The tenth proviso under this heading in the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2003, is amended by striking "the purpose of" and inserting "purposes of funds control and" and before the colon insert the following ", except with respect to insurance and guarantee programs, certain types of salaries and expenses funding, and incremental funding that is authorized under an executed agreement or contract:."] (*Division G, H.R. 2673, Consolidated Appropriations Bill, FY 2004.*)

Explanation of Changes:

- (1) Deletes language providing \$1,000,000 from the Community development loan guarantees program account.
- (2) Deletes language requiring the Secretary to fill 7 out of 10 vacancies at the GS-14 and GS-15 levels until the total number of GS-14 and GS-15 positions in the Department has been reduced from the number of GS-14 and GS-15 positions on the date of enactment of Public Law 106-377 by 2 ½ percent.
- (3) Deletes reference to fiscal year 2004 and adds reference to fiscal year 2005.

SALARIES AND EXPENSES
Performance Measurement Table

<p>Program Mission:</p> <p>Pursuant to 12 U.S.C. 701©(3), the Secretary is authorized to consolidate all operating expenses into a single account to simplify day-to-day financial operations and provide some measure of flexibility in the use of personnel to carry out the wide variety of Departmental programs. This also permits simplification of personnel, payroll, management, and accounting procedures.</p>					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2003 Plan	2003 Actual	2004 Enacted	2005 Plan
HUD will complete a Comprehensive Workforce Analysis that will inventory skills needed now and in the future and recommend actions to close gaps.	NFC Reports; TEAM/REAP	Pilot Program Area (PIH) completed	PIH Workforce plan completed	FHEO, CPD, and Housing completed (35% of HUD workforce)	Remaining offices in HUD completed (65% of HUD workforce)
Increase the efficiency of HUD human capital management through the implementation of a single enterprise-wide HR information system (HIHRTS).	HIHRTS	HIHRTS COTS solution chosen and enterprise portal implemented.	HIHRTS COTS solution chosen and enterprise portal implemented.	Two HIHRTS modules implemented	Remaining HIHRTS modules implemented
Employees receive professional and continuing education training to carry out HUD's mission. Required training includes: program-specific, leadership and management, financial and funds control, acquisition management, and program monitoring and technical assistance.	Departmental training plans	Training programs developed	Training programs developed	50% of required training is delivered a/	100% of required training is delivered. a/
Employee satisfaction improves by a minimum of 10% in four targeted dimensions when measured during the fiscal year 2005 Organizational Assessment Survey (OAS).	OAS Action Plan	OAS action plans developed	OAS action plans developed	OAS action plans implemented at the Department and program levels.	OAS readministered, employee satisfaction in targeted areas increases by at least 10%
HUD financial statements receive unqualified audit opinion.	Inspector General's Audit	100%	100%	100%	100%

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Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2003 Plan	2003 Actual	2004 Enacted	2005 Plan
Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.	Audit Resolution and Corrective Action Tracking System -ARCATS	100%	100%	100%	100%
The Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism will be refreshed and will continue to be utilized for budget formulation and managing resource requirements and prioritizing staffing allocations by program and office.	Total Estimation and Allocation Mechanism (TEAM)	100%	100%	100%	100%

Explanation of Indicators

Each of the above performance indicators support the President's Management Agenda initiative related to human capital. The Department has developed a comprehensive human capital plan, of which one critical component is the workforce analysis currently underway. The workforce analysis is divided into three segments: pilot of the PIH program office, completion of the other major program offices (CPD, FHEO and Housing) and completion of the Department's support offices. Progress is on target to achieve the performance targets related to completion of the workforce.

HIHRTS was chosen as an enterprise portal at the end of fiscal year 2003. This indicator is currently on target.

The Department has completed the following training initiatives:

- Operation Braintrust Wave 1 course delivery, where over 1,025 employees participated.
- Identification of initial list of critical skills for PIH.
- Implemented the Delegated Examining Unit Accountability System.
- Core competency training (Housing and Community Development Program) for all interns.
- 41 percent of supervisors have taken the "Supervisor Survival Seminar," exceeding the targeted 25 percent.
- Initiated work including milestone plan, to address acquisition management challenges.

The following training initiatives are planned:

- Launch Emerging Leaders Program.
- Initiate Operation Braintrust Wave 2.
- Establish fiscal year 2004 Goals for supervisors, managers, and senior non-SES employees.

Employee satisfaction has been identified as a critical factor included in effective human capital management.

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To measure employee satisfaction, surveys are conducted triennially. The last survey, which was conducted in fiscal year 2002, identified four dimensions which management has targeted for improvement. Four regional Action Teams meet on a bimonthly basis to address employee satisfaction in these areas. Action plans have been developed for these targeted dimensions.

Indicator: HUD financial statements receive unqualified audit opinions.

HUD received an unqualified audit opinion on its fiscal year 2003 financial statements. This is the fourth consecutive fiscal year HUD received an unqualified audit opinion, which reflects the success of HUD's efforts to stabilize its financial management systems and operating environment. In addition, HUD continues to reduce the number of material internal control weaknesses and reportable conditions disclosed in the annual financial statement audit. In fiscal year 2003, material weakness issues were reduced from three to two and reportable conditions from ten to seven. HUD also continues to accelerate the preparation and audit of its financial statements to provide more timely information for program decision makers in the Congress and Executive Branch. Issuance of the fiscal year 2003 audited statements was accelerated by six weeks with plans for further acceleration and issuance by November 15th for 2004 and thereafter.

A study has been initiated to assess the feasibility, risks and costs of various options for the next generation core financial management system for the Department. At the same time, HUD continues to enhance current financial systems to maintain technical currency and to comply with changing program and regulatory requirements. Enhanced financial management systems will further strengthen internal controls over HUD resources and improve the availability of financial management information for sound program decision-making.

Indicator: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.

The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on OIG audit recommendations by agency managers. By statute, agency managers have six months from the date of issuance of an audit report to reach acceptable management decisions on OIG audit recommendations. HUD achieved its goal of "no overdue" management decisions for the last five semi-annual reporting cycles ending on September 30, 2001, March 31, 2002, September 30, 2002, March 31, 2003, and September 30, 2003. HUD had previously only achieved this goal one other time since audit resolution tracking began under the Inspector General Act of 1978. During the two reporting cycles in fiscal year 2003, timely management decisions were reached on 858 audit recommendations. In addition, final actions were completed on 831 audit recommendations, as HUD continues to reduce the number of overdue final actions on audit recommendations. HUD began the March 31, 2004, reporting cycle with 222 new audit recommendations requiring management decisions, and 810 audit recommendations pending final action.

Indicator: The Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism will be refreshed and will continue to be utilized for budget formulation and managing resource requirements and prioritizing staffing allocations by program and office.

REAP refreshes are on schedule and will be used to validate and update TEAM data. Annual replication of TEAM sampling will serve as a means of verification and may identify the need for additional resource estimation studies.

a/ Total required training in each area = Number of applicable employees x Number of required training hours per individual.